

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 28, 2008
POSITION: Neutral, note concerns

BILL NUMBER: SB 1161
AUTHOR: A. Lowenthal
RELATED BILLS: AB 492 (2006)

BILL SUMMARY: Petroleum Underground Storage Tanks: Cleanup

The Underground Storage Tank Cleanup Fund (USTCF) is used to reimburse the owners of underground petroleum storage tanks for the costs of cleaning up contamination caused by their tanks, and often includes the replacement of those tanks.

This bill would extend the authorization of the USTCF from January 1, 2011 to January 1, 2016. Additionally, the definition of "underground storage tank" would be expanded to include associated elements such as spill containment structures, vent lines, vapor recovery lines and underground fill pipes.

This bill would also establish the Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Fund (UST Orphan Fund) and transfer \$10 million annually for fiscal years 2008-09 through 2010-11 from the USTCF. Upon appropriation by the Legislature, these funds would be used to remediate petroleum contamination at sites where a responsible party has not been identified.

Currently, individuals and firms seeking reimbursement from the USTCF must comply with permit requirements when performing cleanup activities to be eligible to file a claim. The bill would waive this condition if a claimant took ownership of an underground storage tank before December 22, 1998, removed the tanks within three years of acquiring the property, and submits a claim between January 1, 2008 and July 1, 2009. This provision would likely increase the total number of claimants.

FISCAL SUMMARY

This bill would have no net fiscal impact to the State Water Resources Control Board. However, in shifting \$30 million from the USTCF to the UST Orphan Fund, the bill would increase the expenditures for orphan site clean-up, and reduce the claims paid from the USTCF, by \$30 million.

Extending the program for five years would result in the USTCF receiving approximately \$1.4 billion in additional fees, which may be sufficient to pay off the 4,500 outstanding claims, and any new ones that are filed. Failure to extend the program would leave most of these claimants unreimbursed.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the April 9, 2008 version are minor and do not alter our position. The new amendments would rename the Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Subaccount the Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Fund and provide that the \$10 million annual transfers be made on a fiscal year rather than calendar year basis.

(Continued)

COMMENTS

The Department of Finance (Finance) is neutral on this bill but notes concerns that the bill would increase the types of expenditures for which individuals and businesses may seek reimbursement and would increase the pool of eligible claimants.

Establishment of the UST Orphan Fund would, in effect, continue the Orphan Site Cleanup Account (OSCA) Program, originally established in 2004. The OSCA program addressed petroleum contaminated Brownfield

Analyst/Principal (0622) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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SB 1161

This bill would have no General Fund impact and would have no net impact to the USTCF. However, Finance notes that the USTCF is supported by fees, and the fees are intended to be used to reimburse fee payers for their expenses associated with mitigating contamination from underground tanks. By expanding the uses of the USTCF and, subsequently, the number of eligible claimants, reimbursements to some fee payers will be delayed and others may be ultimately precluded.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
1256/Othr Reg Fee	RV	No		--		--	U	\$140,000	0439
1614/Misc Revenue	RV	No	P	\$10,000	P	\$10,000	P	\$10,000	0499
3940/SWRCB	SO	No	A	\$10,000	A	\$10,000	A	\$10,000	0439
3940/SWRCB	SO	No	A	\$10,000	A	\$10,000	A	\$10,000	0499
<u>Fund Code</u>	<u>Title</u>								
0439	Underground Storage Tank Cleanup Fund								
0499	Pending New Special Funds								